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LISA D. NORDSTROM
Lead Counsel
lnordstrom@idahopower.com

May 15, 2015

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-15-13
J. R. Simplot Company (Caldwell Facility) Special Contract – Idaho Power
Company's Comments

Dear Ms. Jewell:

Enclosed for filing in the above matter please find an original and seven (7) copies of Idaho Power Company's Comments.

Very truly yours,



Lisa D. Nordstrom

LDN:csb
Enclosures

LISA D. NORDSTROM (ISB No. 5733)
Idaho Power Company
1221 West Idaho Street (83702)
P.O. Box 70
Boise, Idaho 83707
Telephone: (208) 388-5825
Facsimile: (208) 388-6936
lnordstrom@idahopower.com

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Attorney for Idaho Power Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER)	
COMPANY'S APPLICATION FOR)	CASE NO. IPC-E-15-13
APPROVAL OF SPECIAL CONTRACT)	
AND TARIFF SCHEDULE 32 TO PROVIDE)	IDAHO POWER COMPANY'S
ELECTRIC SERVICE TO J. R. SIMPLOT)	COMMENTS
COMPANY'S CALDWELL FACILITY)	
)	

Idaho Power Company ("Idaho Power" or "Company"), pursuant to the Idaho Public Utilities Commission's ("Commission") Notice of Application and Notice of Modified Procedure, Order No. 33280, issued in the above-referenced case, hereby files the following Comments in support of the Special Contract for Electric Service ("Caldwell Special Contract"¹) between Idaho Power and J. R. Simplot Company ("Simplot") and rates proposed in tariff Schedule 32.²

¹ The fully executed Caldwell Special Contract is Attachment 1 to Idaho Power's Application in Case No. IPC-E-15-13.

² The proposed Schedule 32 for the new Caldwell facility is Attachment 2 to Idaho Power's Application in Case No. IPC-E-15-13.

I. BACKGROUND

Simplot owns a facility in Caldwell, Idaho, that currently takes electric service under Idaho Power's Schedule 19, Large Power Service. Because its operations at the Caldwell facility have recently expanded, Simplot anticipates this facility may require an electric demand in excess of 20,000 kilowatts ("kW"). Idaho Power's Schedule 19 requires customers with an aggregate power requirement receiving service at one or more points of delivery on the same premises that exceeds 20,000 kW "to make special contract arrangements with the Company."

In August 2012, Simplot first contacted the Company requesting additional capacity to serve its Caldwell facility. Simplot's intent for the new expanded Caldwell facility was to replace the production at three existing Simplot facilities located in Aberdeen, Nampa, and the existing facility in Caldwell. The existing plants would be closed. The Company determined that in order to meet Simplot's request, it required the addition of a second 28 MVA transformer and the construction of additional facilities to serve the anticipated load at the expanded Caldwell facility. At that same time, in anticipation that the new load at the expanded Caldwell facility would exceed 20,000 kW, Simplot requested the Company begin the development of a special contract and the associated rates to serve the new large load.

On December 4, 2013, Idaho Power filed an application in Case No. IPC-E-13-23 requesting approval of a special contract with Simplot for the new Caldwell facility. Prior to filing the application in that case, Idaho Power and Simplot had not come to agreement on all terms of the proposed contract, reaching an impasse on certain provisions regarding limitations of liability and the appropriate method to be

applied to determine the special contract rates. After Simplot, Idaho Power, and Commission Staff filed comments on March 28, 2014, and reply comments on April 11, 2014, the Commission issued Final Order No. 33038 on May 19, 2014, and Reconsideration Order No. 33071 on July 7, 2014, resolving the issue of limited liability³ and providing guidance with respect to the appropriate methodology to be utilized for the determination of special contract rates.

On April 8, 2015, following further analysis and discussions with Simplot, the Company filed its Application in this case requesting the Commission issue an order approving the Caldwell Special Contract and rates proposed in tariff Schedule 32.

II. SPECIAL CONTRACT TERMS

In Order No. 33038, the Commission reaffirmed that “each special contract customer is considered a separate class with different conditions and contract terms affecting their rates” Order No. 33038 at 11. Idaho Power must account for a number of factors when determining rates for new special contract customers, such as the impact of the load on its system and the operational conditions that exist at the time of application. Idaho Power determines rates for new special contract customers on a case-by-case basis, taking into account the unique circumstances that exist when each contract is developed. The negotiations between the Company and a large load customer, regarding the terms and conditions to be included in a special contract, attempt to identify and incorporate specific issues or differences unique to that single customer and the electric service being requested. With regard to Simplot’s Caldwell Special Contract, there were a number of unique considerations that were taken into

³ The limitation of liability language approved by Order No. 33071 in Case No. IPC-E-13-23 is found in Section 11 of the Caldwell Special Contract.

account and provided for within the contract to provide additional flexibility for Simplot as its new plant adjusts to its expanded operations.

Contract Demand. The Company's standard rate design for special contract customers includes a Contract Demand Charge as part of their monthly billing components. The Contract Demand is the monthly schedule of demand that Idaho Power has agreed to make available to the large load customer's facility. Because of the size of the load for a customer being served under a special contract, variation of the level of total demand required to serve that customer may have a significant impact on the Company's operations. The level of Contract Demand the Company commits to stand ready to provide on a monthly basis is not intended to vary without advance notification to the Company of the desired change. This provides the Company with ample time to respond to a change in the level of Contract Demand, either by acquiring additional capacity or by reducing the amount of capacity the Company may have already acquired for the large load customer. The level of Contract Demand is initially requested by the large load customer, and has a direct impact on the facilities required to serve that customer, and, ultimately, on the overall revenue requirement needed to be recovered from that customer. The Contract Demand Charge is intended to recover a portion of the fixed costs for the facilities required to serve that specific large load customer.

Simplot has requested an initial level of Contract Demand of 25,000 kW. However, Simplot is uncertain what the ultimate level of Contract Demand will be until the facility is fully operational and the plant is running at full capacity. Simplot expressed concern that the lead times required for the notification of changes in the

level of Contract Demand may prove to be too restrictive in the near term. The concern was that Simplot may end up paying for a level of contract demand that was not ultimately needed and would not be able to reduce it immediately because of the notification lead time requirement. Or conversely, if Simplot set the level of Contract Demand too low and ultimately needed more demand, in which case it would either curtail operations or incur daily excess demand charges until a time when it could increase the level of Contract Demand.

Therefore, in recognition of the uncertainty in the level of Contract Demand, the Company and Simplot agreed to a temporary modification of the standard language for notification requirements. Section 5 of the Caldwell Special Contract describes the Contract Demand provisions agreed upon between the Company and Simplot. In order to provide flexibility for Simplot regarding changes to the initial level of Contract Demand, the Company modified the restrictions on changes (increases or decreases) during the first 12 months after service under Schedule 32 is applicable. During that initial period, to facilitate variation in actual production and energy consumption, Simplot may request a change to the contract demand by 1,000 kW per month with 30 days' written notice and up to 5,000 kW per month with three months' written notice.

After the first 12 months, if the increase is between 1,000 kW and 10,000 kW, Simplot must provide written notice to Idaho Power of its desire to increase its Contract Demand at least six months in advance of the first day of the month it desires the additional capacity to be made available. If the increase in Contract Demand is greater than 10,000 kW, Simplot must provide written notice to Idaho Power at least 12 months in advance of the first day of the month it desires the additional capacity to be made

available. In order to limit frequent changes up and down, the new level of Contract Demand may not be decreased for a minimum of six months. Simplot will not increase its Contract Demand more than 15,000 kW in any 12-month period.

Simplot will provide Idaho Power written notice of requests to decrease its Contract Demand at least three months in advance of the first day of the month in which Simplot desires its decreased Contract Demand to be effective. Simplot cannot decrease its Contract Demand more than 15,000 kW in any 12-month period.

Power Factor. The Company's standard power factor requirement for large load special contract customers is to maintain a power factor of 95 percent or greater. The special contract customer may be required to provide additional equipment or facilities in order to maintain a power factor of 95 percent or greater. However, with uncertainty of the ultimate level of power requirement and the impact on the power factor that may occur when all of the equipment is fully operational, the quantification of the adjustment or the need for additional facilities is unknown. Therefore, in order to accommodate the Caldwell facility's transition to a special contract, the Company and Simplot agreed to a temporary modification to the Company's power factor requirements for special contract customers in order to provide time to analyze the power needs at the Caldwell facility and the changes required to meet the Company's power factor requirements. The Caldwell Special Contract provides that during the first 12-month period after service under Schedule 32 is applicable, Simplot must maintain a power factor of 90 percent or greater, or the Company will adjust Simplot's Billing Demand upward by the process outlined in Section 7.2 of the Caldwell Special Contract. The 90 percent power factor requirement is the same requirement that exists for all Schedule 19 customers. After

that initial period, Idaho Power will require Simplot's power factor to be 95 percent or greater, as required by other large load special contract customers. If it is not, the Company will adjust the Billing Demand upward by the process outlined in Section 7.2 of the Caldwell Special Contract.

Rates and Charges. With respect to the Caldwell Special Contract, Idaho Power evaluated the unique circumstances of the new facility to determine the appropriate rate methodology and pricing structure that would be reasonable, consistent with previous cost-of-service determinations, and in the public interest by limiting any potential undue impact of upward rate pressure on the Company's other customer classes.

Through this evaluation, Idaho Power determined that the circumstances surrounding the new Caldwell facility warranted fully-embedded, cost-based pricing according to the Company's most recently reviewed class cost-of-service study ("2011 Study") from Case No. IPC-E-11-08 ("2011 Rate Case"). This determination was based on the fact that the new Caldwell facility is intended to replace three existing facilities (Aberdeen, Nampa, and Caldwell) and therefore does not represent a true incremental load, but rather the consolidation of existing load currently subject to fully-embedded rates. Although the estimated load at the new Caldwell facility is greater than the combined load of the three facilities slated for consolidation, the level of incremental load above the combined load of these three operations is estimated to be less than 5,000 kW. Based upon these unique circumstances, the Company developed the rates and charges for the Caldwell Special Contract to reflect the full embedded cost of providing electrical service to the new Caldwell facility.

To calculate the Caldwell Special Contract rates, Idaho Power applied the most current cost-of-service information available to projected electrical requirements provided by Simplot. The foundation for these calculations was the 2011 Study reviewed in the 2011 Rate Case, reflecting the final revenue requirement approved in the 2011 Rate Case. At a high level, the 2011 Study was modified to reflect the removal of the three Simplot Schedule 19 locations that the new Caldwell facility is intended to replace and the addition of the new Caldwell facility as an individual rate class. Costs were then allocated to the new Caldwell facility according to projected loads and the Company's methodology from the 2011 Study.

Once the revenue requirement from the 2011 Rate Case had been appropriately allocated to the Caldwell Special Contract, rates were adjusted to reflect changes that have occurred since the conclusion of the 2011 Rate Case. Specifically, the Company adjusted the special contract tariff to capture base rate changes resulting from Commission orders related to the Open Access Transmission Tariff ("OATT") deferral adjustment,⁴ the depreciation study adjustment,⁵ the Boardman balancing account adjustment,⁶ the Langley Gulch power plant adjustment,⁷ and, most recently, the update to base net power supply expenses effective June 1, 2014.⁸ To appropriately reflect the outcomes of these cases, Idaho Power adjusted the Caldwell Special Contract rates in the same manner as the final approved rate changes from those cases. For example,

⁴ Case No. IPC-E-12-06, Order No. 32540 (April 27, 2012).

⁵ Case No. IPC-E-12-08, Order No. 32559 (May 31, 2012).

⁶ Case No. IPC-E-12-09, Order No. 32549 (May 17, 2012).

⁷ Case No. IPC-E-12-14, Order No. 32585 (June 29, 2012).

⁸ Case No. IPC-E-14-05, Order No. 33049 (May 30, 2014).

the OATT deferral adjustment was applied to all classes on a uniform cents-per-kilowatt-hour (“kWh”) basis; therefore, cents-per-kWh rates for the Caldwell Special Contract were adjusted using the same cents-per-kWh adder approved in Case No. IPC-E-12-06. The sum of the Caldwell Special Contract monthly charges will also include charges as set forth in Schedule 55 (Power Cost Adjustment), Schedule 91 (Energy Efficiency Rider), and Schedule 95 (Adjustment for Municipal Franchise Fees), if applicable.

The rates resulting from the calculations described above are reasonable, consistent with previous cost-of-service determinations, and in the public interest. Furthermore, the use of the 2011 Study as the basis for this analysis is in alignment with the Commission’s direction provided in Case No. IPC-E-13-23.⁹ The intent of this rate-setting methodology was to develop the customer-specific cost of providing electrical service to the new Caldwell facility utilizing the most current cost-of-service information available. Because the new Caldwell facility primarily reflects the consolidation of existing load rather than the addition of entirely new load, the fully-embedded, cost-based rates appropriately recover the cost of providing electrical service to the new Caldwell facility, and limit the potential undue impact of upward rate pressure on the Company’s other customer classes.

Effective Date. Another unique challenge the Company faced when developing the Caldwell Special Contract is the Effective Date for Schedule 32, and the relationship between the Effective Date and the Applicability section of Schedule 32. Historically, special contract customers of Idaho Power have requested a special contract knowing

⁹ Case No. IPC-E-13-23, Order No. 33038 at 12 (May 19, 2014), “[W]e find that a rate utilizing cost-of-service as a starting point for negotiation is consistent with prior Commission Orders and is fair, just and reasonable.”

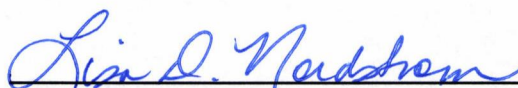
that they will be above the 20,000 kW threshold at the beginning of their operations, or with some anticipated certainty as to the date when the special contract will need to be in place. While Simplot expects its aggregate load at the Caldwell facility will ultimately be above the 20,000 kW threshold, the exact timing of when that event may occur is uncertain. Until that time, Simplot desires to continue receiving electric service under the provisions of Schedule 19. The challenge occurs because Idaho Power's Schedule 19 states that if a customer exceeds 20,000 kW, the customer is ineligible for service under Schedule 19 and is required to make special contract arrangements with the Company.

In order to provide Simplot with the desired flexibility to remain on Schedule 19 and to have Schedule 32 in place for the time when Simplot's load exceeds 20,000 kW, the Company has included an Applicability section and language, both in Schedule 32 and within the Caldwell Special Contract. The Applicability section of Schedule 32 states that service under the schedule is applicable beginning the first day of the month in the first month that the aggregate power requirement at the Caldwell facility exceeds 20,000 kW. While Simplot is uncertain as to the exact timing of when the facility's electric demand will exceed 20,000 kW, it has indicated this may occur as early as the summer of 2015. In order to remain in compliance with all of the Company's schedules, Idaho Power requests that the Commission approve the Caldwell Special Contract and Schedule 32 effective on or before June 1, 2015, with service under Schedule 32 applicable the first day of the month in the first month in which the aggregate power requirement at the new Caldwell facility exceeds 20,000 kW.

III. CONCLUSION

The Company requests the Commission approve the Caldwell Special Contract between Idaho Power and Simplot without modification. The Company believes the Caldwell Special Contract incorporates the terms and conditions necessary to furnish Simplot's total energy requirements and provides for the unique characteristics and desired flexibility for the electric service delivered to Simplot's Caldwell facility. In addition, the Company requests the Commission approve Schedule 32 effective June 1, 2015. Schedule 32 outlines the rates which are reflective of the cost of providing service to the new Caldwell facility according to the most current cost information available. These rates will appropriately recover the cost of providing service to the new Caldwell facility, while limiting the potential for cost shifting between the Caldwell Special Contract and the Company's other customer classes. These rates are reasonable, consistent with past cost-of-service determinations, and in the public interest.

DATED at Boise, Idaho, this 15th day of May 2015.



LISA D. NORDSTROM

Attorney for Idaho Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 15th day of May 2015 I served a true and correct copy of IDAHO POWER COMPANY'S COMMENTS upon the following named parties by the method indicated below, and addressed to the following:

Commission Staff

Karl T. Klein
Deputy Attorney General
Idaho Public Utilities Commission
472 West Washington (83702)
P.O. Box 83720
Boise, Idaho 83720-0074

☒ Hand Delivered
☐ U.S. Mail
☐ Overnight Mail
☐ FAX
☒ Email karl.klein@puc.idaho.gov

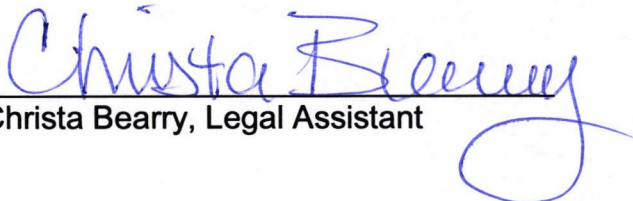
J. R. Simplot Company

Peter J. Richardson
Gregory M. Adams
RICHARDSON ADAMS, PLLC
515 North 27th Street (83702)
P.O. Box 7218
Boise, Idaho 83707

☐ Hand Delivered
☒ U.S. Mail
☐ Overnight Mail
☐ FAX
☒ Email peter@richardsonadams.com
greg@richardsonadams.com

Don E. Sturtevant
Director, Energy Purchasing
J. R. Simplot Company
P.O. Box 27
Boise, Idaho 83707-0027

☐ Hand Delivered
☒ U.S. Mail
☐ Overnight Mail
☐ FAX
☒ Email don.sturtevant@simplot.com


Christa Beary, Legal Assistant